

24 April 1959

Deputy Chief, Industrial Division, ORR

THRU : Deputy Chief, Analysis Division, ORR

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Comments on Project 30.2043, The Development of the Machine Building Industry in Communist China, 1949-62.

1. I have reviewed the sections of Project 30.2043 that describe the relationship of the development of the machine building industry to the general economic development of Communist China. I have serious reservations about the following "theses" of the report:

a. The report takes the point of view that the problems associated with the growth of the machine building industry can readily be extended by analogy as constituting the problems of the whole economy. However, the problems faced in planning production and the scale of plant in the machine building industry are peculiar to that industry in major respects; the place of "prestige" and military security elements in the development of the machine building industry are also unique; and the problems of creating a skilled labor force for machine building often do not extend over much of the rest of the economy.

b. The report concentrates on failures of the machine building industry and of, by analogy, the economy as a whole, and pays scant attention to the successes. There is very little to indicate that Communist China has made important and rapid progress in building up industry and that her leaders have been flexible in devising new economic policies to meet new economic problems.

c. The report greatly overstates the degree to which the Soviet planning model is inappropriate to Communist China and to other "underdeveloped" nations; the report in many instances used Western market concepts to judge the performance of a planned economy.

2. Examples of sections of the report that embody these three unacceptable "theses" are" the Foreword; the 3rd, 4th, and 5th paragraphs of the Summary; pp. 5-7; pp. 72-75; and pp. 82-93. Attached are some detailed comments on the report.

~~CONFIDENTIAL~~

*Little room for
discussion for
general
adjectives;
reports should
get down to
business, & not
be too much
of a general
nature and
training are
important*

3. Recommendation: I believe the report would be strengthened (and put in clearer focus) by omitting consideration of the problems of the general economy where there is not a strong and direct tie to the problems of the machine building industry. I believe that the major aspects of the Soviet planning model--the five-year plans, the priority of investment, the emphasis on widespread technical education, and so on--have substantially more relevance to the problems of underdeveloped countries than the report concedes, and I recommend that this particular issue be omitted entirely.

ATTACHMENT:

Detailed comments.

Distribution:

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